**AC556**

**Week 6 Problem**

**Proforma Statements**

**NOTE:** It is expected that this problem will be completed using an Excel spreadsheet using formulas. Please see the Excel Tutorial that is available under the course home tab.

The Duncan Company has just completed a number of budgets for the coming year. The cost of goods manufactured schedule, the proforma income statement and the balance sheet still have to be completed. The following information is available:

Prior year Balance Sheet:

|  |  |  |  |
| --- | --- | --- | --- |
| Cash | $35,000 | Accounts Payable | $98,000 |
| Accounts Receivable | 45,000 | Other Current Liabilities | 39,000 |
| Materials Inventory | 35,000 | Income Taxes Payable | 21,000 |
| WIP Inventory | 25,000 |  |  |
| Finished Goods Inventory | 32,000 | Long-Term Debt | 250,000 |
| Prepaid Expenses | 15,000 |  |  |
| Plant and Equipment | 450,000 | Common Stock | 100,000 |
| Accumulated Depreciation | (120,000) | Retained Earnings | 27,000 |
| Other Assets | 18,000 |  |  |
| Total Assets | $535,000 | Total Liab. & Equity | $535,000 |

Information from recent budgets for the coming year:

1. Projected sales are $1,800,000 (12,690 units)

2. Projected direct material purchases are $500,000
3. Projected direct material usage is $495,000

4. Projected direct labor expense is $400,000

5. Projected overhead is $380,000

6. Projected selling expenses are $120,000
7. Projected administrative expenses are $300,000
8. Projected cash collections are $1,785,000
9. Projected payments for materials (accounts payable) are $520,000
10. Projected payments for other operating expenses (other current liabilities) are $1,130,000

11. Projected depreciation expense is $55,000 and is already included in mfg overhead

Additional information that is available:

1. The expected tax rate is 35%
2. The company is planning a stock issue of $25,000

3. Income taxes are paid 3 months after the year-end

4. The company anticipates purchasing a new patent for $10,000 during the year.

5. WIP inventory is expected to decrease by $2,000

6. Finished goods inventory is expected to increase by $8,000

7. Due to insurance rate increases, it is expected that prepaid expenses will increase by $3,000

Investment information:

1. A purchase of additional equipment for $75,000 is expected on January 1st.
2. The purchase will be made using $50,000 cash and long-term debt will be increased by $25,000

Long-Term Debt information:

1. All long-term debt will have an 8% annual rate.

2. A payment of $50,000 including BOTH principle and interest will be made on December 31st.

**Required: Prepare a cost of goods manufactured schedule, a proforma income statement and proforma balance sheet.**